Department of Defense

Selected Acquisition Reports (SARs)

(As of December 31, 2003)

The Department of Defense has released details on major defense acquisition program cost and schedule changes since the September 2003 reporting period. This information is based on the Selected Acquisition Reports (SARs) submitted to the Congress for the December 31, 2003 reporting period.

SARs summarize the latest estimates of cost, schedule, and technical status. These reports are prepared annually in conjunction with the President's budget. Subsequent quarterly exception reports are required only for those programs experiencing unit cost increases of at least 15 percent or schedule delays of at least six months. Quarterly SARs are also submitted for initial reports, final reports, and for programs that are rebaselined at major milestone decisions.

The total program cost estimates provided in the SARs include research and development, procurement, military construction, and acquisition-related operation and maintenance (except for pre-Milestone B programs which are limited to development costs pursuant to 10 USC §2432). Total program costs reflect actual costs to date as well as future anticipated costs. All estimates include anticipated inflation allowances.

The current estimate of program acquisition costs for programs covered by SARs for the prior reporting period (September 2003) was $1,246,878.1 million. After adding the costs for a new program, Warfighter Information Network-Tactical (WIN-T), and subtracting the costs for a final report on Global Combat Support System Army (GCSS Army) in September 2003, the adjusted current estimate of program acquisition costs was $1,257,229.2 million.

For the December 2003 reporting period, there was a net cost increase of $73,090.4 million or +5.8 percent for those programs that have reported previously, excluding costs for the programs submitting initial SARs. For this submission, the initial SAR programs are Cobra Judy Replacement, Multi-Platform Radar Technology Insertion Program (MP-RTIP), and Small Diameter Bomb (SDB).

	Current Estimate ($ in Millions)
September 2003 (77 programs)	**$ 1,246,878.1**
Plus one new program (WIN-T)	+12,040.5
Less final report on GCSS Army program	-1,689.4
September 2003 Adjusted (77 programs)	**$ 1,257,229.2**

Changes Since Last Report:

Economic		$+7,398.0
Quantity		+8,435.8
Schedule		+14,030.1
Engineering		+4,610.2
Estimating		+31,327.2
Other		+0.0
Support		+7,289.1
	Net Cost Change	$+73,090.4

Plus EA-18G development costs not previously reported +1,707.6
(EA-18G is a submitting a separate initial SAR. Procurement costs were previously reported in the F/A-18E/F SAR, but development costs for the EA-18G are being reported for the first time.)

December 2003 (78 programs) $1,332,027.2

For the December 2003 reporting period, there was a net cost increase of $73 billion or +5.8 percent for programs that have reported previously, excluding costs for the aforementioned programs submitting initial SARs. The net cost increase was due to higher program estimates (+$31.3 billion), a net stretch-out of development and procurement schedules (+$14.0 billion), a net increase of planned quantities to be purchased (+$8.4 billion), the application of higher escalation indices (+$7.4 billion), higher support costs related to increased quantities (+$7.3 billion), and additional engineering changes (hardware/software) (+$4.6 billion).

New SARs
(As of December 31, 2003)

The Department of Defense has submitted initial SARs for Cobra Judy Replacement, Multi-Platform Radar Technology Insertion Program (MP-RTIP), and Small Diameter Bomb (SDB). These reports do not represent cost growth. Baselines established on these programs will be the point from which future changes will be measured. The current cost estimates are provided below:

Program		Current Estimate ($ in Millions)
Cobra Judy Replacement		$ 1,474.5
Multi Platform Radar Technology Insertion Program (MP RTIP)		1,565.6
Small Diameter Bomb		1,816.5
	Total	$ 4,856.6

Summary Explanations of Significant SAR Cost Changes
(As of December 31, 2003)

Army:

ATIRCM/CMWS (Advanced Threat Infrared Countermeasure/Common Missile Warning System) – Program costs decreased $605.4 million (-15.5%) from $3,903.5 million to $3,298.1 million, due primarily to a quantity reduction of 36 A-Kits from 2,704 to 2,668 A-Kits (-$22.1 million) and associated schedule and estimating allocations* (-$40.7 million), a revision of the learning curve assumption for A-Kit production/installation (-$237.0 million), and a revision of the estimating methodology for Systems Engineering Program Management (-$94.5 million). There were also decreases in the Contractor Logistics Support requirement from 17 years to 5 years (-$72.8 million), an acceleration of the annual procurement buy profile (-$61.4 million), and a reduction of training systems, data requirements, and simulator upgrades (-$99.1 million).

Comanche (RAH-66) – Subsequent to the preparation of the SAR, the Department made a decision to terminate the Comanche program. While the SAR was accurate as of February 2, 2004, and supports the FY 2005 President's budget, it is no longer applicable. An Acquisition Decision Memorandum (ADM) was signed by the Defense Acquisition Executive on February 27, 2004, authorizing termination of the Comanche program. Based on anticipated and pending events resulting from the termination activities, this will be the final SAR for this program.

Excalibur – Program costs decreased $855.8 million (-17.8%) from $4,798.7 million to $3,942.9 million, due primarily to a quantity decrease of 14,925 projectiles from 76,677 to 61,752 projectiles (-$1,057.5 million) and a one-year acceleration in the start of production from FY 2005 to FY 2006 (-$17.4 million). The quantity decrease was partially offset by increases to fund Block 1b of the Spiral Development Program (+$183.9 million) and the application of revised escalation indices (+$34.5 million).

FBCB2 (Force XXI Battle Command Brigade and Below) – Program costs decreased by $1,051.0 million (-39.9%) from $2,632.9 million to $1,581.9 million, due primarily to a quantity decrease of 35,411 systems from 56,465 to 21,054 systems (-$990.5 million) and associated schedule, engineering, and estimating allocations* (+$177.2 million). The reduction in quantity reflects the Army's decision to implement a revised concept of operations, resulting in fewer total units required. There were also decreases to other weapon system costs, initial spares, and peculiar support that were related to the quantity reduction (-$421.1 million). These decreases were partially offset by the purchase of additional satellite time to support Blue Force Tracking efforts (+$77.4 million) and procurement of additional Movement Tracking System (MTS) transceivers in support of Operation Enduring Freedom and Operation Iraqi Freedom (+$63.1 million).

FMTV (Family of Medium Tactical Vehicles) – Program costs decreased $1,060.9 million (-5.5%) from $19,270.1 million to $18,209.2 million, due primarily to a reduction in hardware costs to reflect actual contract data, including the A1 Rebuy (-$1,197.8 million) and an acceleration of the annual procurement

buy profile (-$503.4 million). These decreases were partially offset by the application of revised escalation rates (+$607.9 million).
Joint Tactical Radio System (JTRS) Cluster 1 – Program costs increased by $1,520.3 million (+8.0%) from $19,002.1 million to $20,522.4 million, due primarily to a quantity increase of 588 radio sets from 108,414 to 109,002 radio sets (+$87.2 million), the application of revised escalation indices (+$376.5 million), and a stretch-out of the procurement profile within the FY 2005-2025 timeframe (+$291.1 million). There were further increases for corrections to estimated data costs (+$453.2 million) and additional aviation platform costs to integrate JTRS Cluster 1 B-Kit technical insertions (+$90.2 million).

Land Warrior – Program costs increased by $9,468.8 million (+332.9%) from $2,844.4 million to $12,313.2 million, due primarily to a quantity increase of 43,053 systems from 15,985 to 59,038 systems (+$2,153.4 million) along with technology refreshments and system upgrade costs associated with the increased quantity (+$6,291.8 million). There were additional increases for initial spares, peculiar support, training, and data costs that were also related to the quantity increase (+$757.0 million) and increased funding for Block II development requirements (predominately software and vehicle integration) (+$214.3 million).

MCS (Maneuver Control System) – Program costs decreased by $694.1 million (-52.0%) from $1,335.8 million to $641.7 million, due primarily to a quantity decrease of 3,987 units from 8,629 to 4,642 units (-$416.3 million) and associated reductions in initial spares and other weapons system costs (-$115.2 million). There were additional decreases in costs to reflect a change in requirements to align with the Army's directed architecture (-$198.2 million).

Stryker – Program costs increased by $1,479.6 million (+20.6%) from $7,179.1 million to $8,658.7 million, due primarily to additional military construction for four additional sites to receive Stryker Brigade Combat Teams (+$1,018.3 million) and a revised estimate for Add-on Armor requirements from four to six brigades (+$508.9 million). These increases were partially offset by a quantity reduction of 25 vehicles from 2,121 to 2,096 (-$61.7 million).

Navy:

JSOW (Joint Stand-Off Weapon) – Program costs decreased $536.0 million (-10.8%) from $4,958.9 million to $4,422.9 million, due primarily to a decrease in Baseline/BLU-108 variant quantities of 2,477 weapons from 14,811 to 12,334 weapons (-$641.5 million), cost estimating model updates (-$139.2 million), and removal of Navy warranty costs projected for FY 2004 and beyond (-$36.8 million). These decreases were partially offset by revised estimates for Full Rate Production Lot 4 to account for pull out of Air Force in FY 2005 (+$192.0 million).

SSN 774 (Virginia Class Submarine) – Program costs increased by $1,423.0 million (+1.7%) from $81,792.2 million to $83,215.2 million, due primarily to the application of revised escalation indices (+$2,033.1 million), restoration of the technology insertion program (+$1,384.3 million), adjustment for

labor escalation (+506.9 million), and Congressional approval of a five-ship multi-year procurement (versus budgeted seven-ship multi-year procurement) (+$380.0 million). These increases were partially offset by decreases in pricing estimates for construction material and labor (-$1,912.8 million), and updated multi-year procurement estimates (FY 2009-2017) based upon savings from economic order quantities (-$1,040.0 million).
Tactical Tomahawk – Program costs increased by $331.4 million (+11.2%) from $2,958.9 million to $3,290.3 million, due primarily to a quantity increase of 394 missiles from 2,396 to 2,790 missiles (+$216.0 million) and associated support costs (+$94.6 million).

Air Force:

EELV (Evolved Expendable Launch Vehicle) – Program costs increased $11,550.2 million (+55.5%) from $20,796.3 million to $32,346.5 million, due primarily to launch services price increases resulting from a collapse in the commercial market (+$7,522.3 million), adjustments for price inflation not previously accounted for (+$2,821.7 million), shifts in vehicle class to increase lift capability to accommodate satellite weight growth (+$1,060.0 million), and stretch out of annual procurement buy profile (+$92.4 million).

DoD:

BMDS (Ballistic Missile Defense System) – Program costs increased $3,223.8 million (+5.1%) from $62,896.5 million to $66,120.3 million, due primarily to the increased capability provided by Missile Defense Plan (MDP) II (+$3,479.0 million). MDP II expands the Ground Based Interceptor (GBI) site at Ft. Greeley, Alaska, and adds GBIs; upgrades the Early Warning Radar at Thule Air Base, Greenland; increases the number of Standard Missile –3 interceptors and BMD-capable ships; adds a Theater High Altitude Area Defense (THAAD) fire unit with several missiles; adds a midcourse radar; and adds several forward-deployable radars. Offsetting this increase were a schedule reduction for moving land-, sea-, and space-based Kinetic Energy Interceptors one Block to the right and delaying the Near-Field Infrared Experiment launch 18 months (-$182.0 million); and an economic reduction for revised escalation rates (-$84.1 million).

JSF (Joint Strike Fighter) – Program costs increased $45,097.9 million (+22.6%) from $199,736.4 million to $244,834.3 million, due primarily to revised contractor direct labor and overhead rates (+13,669.2 million), System Development and Demonstration (SDD) schedule extension for additional design maturation ($7,495.4 million), a delay in procurement start from FY 2006 to FY 2007 and revised annual quantity profiles (+$5,540.4 million), and learning curve impacts of revised SDD and production schedules on contractors (+$4,374.0 million). There were further increases for the application of revised escalation indices (+$2,456.3 million), procurement of additional Electro Optical Tracking System (EOTS) (+$1,083.8 million), a delay in multi-year procurement from FY 2012 to FY 2014 (+$904.7 million), and aircraft configuration updates, methodology changes, and refined definitions of support requirements (+$7,811.1 million).

* *Note: Quantity changes are estimated based on the original SAR baseline cost-quantity relationship. Cost changes since the original baseline are separately categorized as schedule, engineering, or estimating "allocations." The total impact of a quantity change is the identified "quantity" change plus all associated "allocations."*